



EXECUTIVE SUMMARY

Overview

The objective of the Current Environment Assessment is to document critical information related to the systems and business processes that support the administration of SFA funds funded directly by the US Department of Education. These systems include RFMS (Federal Pell Grant), Campus-Based (campus-based funds) and the Loan Origination System (Direct Loans). In order to accomplish this objective, we documented both critical business processes supported by the systems as well as technical information regarding the systems themselves.

As the primary steps in documenting the current environment, we undertook an effort to analyze the business organization as it relates to the related SFA programs. The objective of this workplan task was to obtain an understanding of the business and decision processes that the systems are intended to support. Toward this end, we:

- ⇒ Met with process owners at ED responsible for carrying out critical business requirements
- ⇒ Met with contractors responsible for maintaining the systems
- ⇒ Reviewed systems and process documentation

Processes

The current environment is sustained by three separate processes by which schools originate and disburse Title IV funds. The first of these is the process for the **Federal Pell Grant Program**. The Pell Grant is an entitlement program administered to eligible students through eligible institutions. In administering this program, schools are responsible for obtaining student application data and data necessary to establish financial need and eligibility for federal Title IV programs, determining eligibility and award amounts, communicating awards and disbursements to the US Department of Education (the “Department”) and managing cash through drawdowns and reconciliation. In order to support this program, the Department is responsible for processing and transmitting student application data and data necessary to establish financial need and eligibility for federal Title IV programs, receiving and processing originations and disbursements, and managing funding levels by student and institution.

The second process relates to the **Campus-Based Programs**, comprised of the Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS) and the Federal Perkins Loan. Schools have the responsibility for implementing awarding policies by which they determine the recipients and the recipients’ awarded amounts, within the federal regulations. The funding for the Campus-Based Programs is based on an allocation awarded to institutions prior to the start of the award year. An institution is only able to disburse funds up to this allocation for FSEOG, up to this allocation plus their match for FWS and up to their level of lending for federal Perkins. These funds are made available for drawdown and expenditure by the institution without detailed student reporting. At the end of the award year, institutions report characteristics of the population to whom campus-based funds were paid as part of their application to receive funds in a future year.



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The final process supports the **Direct Loan Program**. Under the Direct Loan Program, loan capital is provided directly to student and parent borrowers by the Federal Government rather than through private lenders, as in the Federal Family Education Loan (FFEL) Program.

Participating schools, acting on behalf of the government, deliver loan funds to student and parent borrowers. In administering this program, schools are responsible for obtaining student application data and data necessary to establish financial need and eligibility for federal Title IV programs, determining eligibility and award amounts, communicating awards and disbursements to the US Department of Education (the “Department”) and managing cash through drawdowns and reconciliation. In support of this process, the Department is responsible for receiving and processing originations and disbursements, storing promissory notes and managing funding levels by student and by institution.

The following table summarizes the core business processes for originating and disbursing federal funds:

Process	Pell	Campus-Based	Direct Loan
Receive eligible applicant data	X		
Establish and maintain eligible institution data	X	X	X
Receive and acknowledge originations	X		X
Transmit electronic notifications/ correspondence via TIV WAN or to IFAP	X	X	X
Receive and process promissory notes			X
Receive and acknowledge disbursements	X		X
Receive and acknowledge change records			X
Manage cash with GAPS	X	X	X
Inter- and intra-system balancing and reconciliation	X	X	X

Systems

The processes described above are supported by the following three distinct systems:

- **Recipient Financial Management System (RFMS)** -- RFMS is a multi-tiered client/server architecture, with a web browser interface for Schools and a Windows interface for Department users. The primary processing of originations and disbursements is performed against a DB2 database running on a mainframe in the VDC. In addition, servers supporting Oracle MIS database and Oracle Public Sector Financials (Subledger) are Hewlett-Packard T500s with the Unix operating system, also running at the VDC. The majority of the development is performed using the Cool:Gen CASE tool.
- **Campus-Based System (CBS)** – CBS is a mainframe system running on an Amdahl 5995/MVS with VSAM file storage structure. The system was developed primarily in batch



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COBOL. Ad hoc reporting is supported through an MS Access database, which is uploaded from mainframe data.

- **Loan Origination System (LOS)** – LOS is a two-tiered client/server architecture whose users interface through with screens built with PowerBuilder software; the server code was developed in both C and COBOL. The application is operated on a Hewlett-Packard T600 server, with 8 CPUs, the Unix operating system, and an Informix database.

Costs

The following cost were calculated for each system using vendor invoices sent to the Department for Fiscal Year 1999 (rounded to the nearest thousand):

System	Total FY 1999 Operating Costs	Cost/Unit	Customer Service Cost	Customer Service Cost as a % of Total FY 1999 Operating Costs	Original Development Cost (In Year 2000 Dollars)	Original Production Date
RFMS	\$14,280,000	\$3.97	\$306,000	2%	\$1,640,000	June 1999
CBS	\$2,790,000	NA	\$20,400	1%	\$908,000	1985
LOS	\$38,529,000	\$15.44 *	\$11,944,000	31%	\$21,990,000	March 1997
TOTAL	\$55,599,000		\$12,270,400	22%	\$24,538,000	

As expected, the costs are greatest for the Loan Origination system and least for the Campus Based System; in between the two is the Recipient Financial Management System. The customer service costs are a small percentage of the total cost for both the RFMS and the Campus Based System. In contrast, the customer service cost is a large percentage of the total cost for the Loan Origination System.

In summary, for Fiscal Year 1999, for all three systems the total cost was \$55,599,000 and customer service cost was \$12,270,400, or 22% of the total cost. By using the Consumer Price Index to convert the original development costs to Year 2000 dollars, the combined development cost of the 3 systems is \$24,530,000.

* The cost/unit for LOS of \$15.44 differs from the cost/unit calculated in the Direct Loan Servicing Current Environment Assessment (Version 1.0) of \$20.80 because the Contracting Officer Technical Representative was able to provide a more accurate count of loan originations for FY 1999 for this analysis than was available when the data for the Direct Loan Servicing Assessment was gathered.